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NEWS RELEASE

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For Immediate Release

Scenarios of Endless Innovation: Saugatuck Releases Largest SaaS Study to Date

Global insights from 1,800 respondents indicate fundamental changes in user and SaaS provider business

Westport, CT (August 27, 2009) – Software-as-a-service (SaaS) is changing the fundamentals of business for user companies and for SaaS providers themselves. These changes are part of a multi-year “loop” cycle that reciprocates between users and providers, with each side influencing the other in unforeseen ways.

Mismanaging this “endless loop of innovation” will prevent user firms from being able to derive real competitive advantage from SaaS, prevent SaaS providers from competing on an increasingly global stage, and trap ISVs from growing along with the global user IT market.

Understanding how each side influences the others, and how to manage it effectively through changing market scenarios, is the key theme of “[*An Endless Cycle of Innovation: Saugatuck SaaS Scenarios Through 2014*](#),” the latest and most ambitious global research program developed and published by Saugatuck Technology Inc.

Released today, this report includes analysis, insights and guidance developed from Saugatuck’s fourth annual SaaS research program, which was comprised of a web survey including 1,788 qualified user enterprise executives; interviews with 30 user enterprise executives with SaaS experience; and briefings with 25 SaaS vendors/providers.

“The research shows us a combination of changing SaaS acquisition and adoption, both as a result of the global recession, and as a result of the changing nature of SaaS itself. How users do business with SaaS is changing how providers develop and deliver SaaS, and is changing how ISVs and other players will need to compete over the next several years,” according to Saugatuck’s Managing Director of Research, Bruce Guptill, one of the study’s lead authors. “Failure to recognize and adapt to these changes will make it extremely difficult, and much more costly than it should be, for anyone to benefit from SaaS.”

Saugatuck’s research indicates a series of planning positions for users, SaaS providers and ISVs to take into account through 2014. These include the following:

- By YE 2014, SaaS (and Cloud Computing) will become *integral* to infrastructure, business systems, operations and development within all aspects of user firms, with variations in status and roles based on region and business culture. Prior to this time period, SaaS will primarily act as an important “*agent of change*.”
- While few users will “swap out” existing core legacy applications and systems with SaaS solutions through YE 2012 – except in highly commoditized market and customer segments – SaaS solutions will become the de facto choice for the majority of user organizations that are replacing legacy applications or business systems as they reach the end of their useful lives, or when driven by other important business considerations (e.g., M&A activity).
- Through YE 2012, more than 40 percent of traditional ISVs will be paralyzed by “strategic uncertainty” regarding SaaS and other software business models, opening more doors for more SaaS providers.

- MORE -

Saugatuck SaaS Research Study – 2 of 2

This is the seventh major SaaS research study to be released by Saugatuck since 2006. Previous studies include the following:

- **Great Expectations: SaaS Strategies in the Finance Organization** (SSR-561, 02-11-09, 32 pages)
CFOs and other senior Finance executives within all types and sizes of user firms expect to use Software-as-a-Service (SaaS) to improve their abilities to meet critical business goals, including Finance’s abilities to play a more strategic role in business. In fact, Finance executives expect SaaS to enable improvement in all aspects of core and non-core Finance systems and operations.
- **Transition to SaaS: An ISV Cookbook** (SSR-545, 12-29-08, 26 pages)
Software-as-a-Service (SaaS) is increasingly considered “enterprise grade” by many IT buyers, and a viable choice to achieve reduced costs, improved service, and ongoing timely functional currency. As a result, many established independent software vendors (ISVs) are faced with strategic questions that will determine the future of their companies.
- **Different Wavelengths: SMBs, Change, and SaaS Adoption** (SSR-510, 09-30-08, 22 pages)
Software-as-a-Service (SaaS) is often touted by SaaS providers and others as a key competitive advantage for small and mid-sized businesses (SMBs) worldwide. Unfortunately, SaaS providers’ approaches and offerings too often fail to resonate with SMB executives. Saugatuck’s study of SMB SaaS acquisition, adoption, and management focuses on the business and technological challenges that are unique to smaller firms, and how these translate to business value for SMBs.
- **Enterprise Ready, or Not – SaaS Enters the Mainstream** (SSR-460, 07-10-08, 42 pages)
The explosive growth of software-as-a-service (SaaS) may be netted down to two core realities that will shape SaaS markets for years to come:
 - Users want SaaS throughout the enterprise, whether their enterprises are ready for it or not; and
 - SaaS is spreading throughout the enterprise, whether the vendors – or their offerings – are ready to support and deliver what users want, or not.This 42-page study details the disruptive evolution, status, and future of SaaS within user enterprises, from basic applications to cloud-based computing - including the effects of these changes on vendor strategies, offerings, and business models.
- **Three Waves of Change: SaaS Beyond the Tipping Point** (SSR-342, 05-03-07, 34 pages)
In the span of less than a year, Software-as-a-Service (SaaS) went from point-solution curiosity to mission-critical applications for user enterprises. And the next wave of SaaS is already being absorbed by user enterprises as platforms for multiple, critical business applications and processes.
- **SaaS 2.0: Software-as-a-Service as Next-Gen Business Platform** (SSR-239, 04-26-06, 34 pages)
Saugatuck’s 2006 SaaS Strategic Research Report shows that SaaS is at a fundamental “tipping point” between the current generation of software functionality delivered as a service (what Saugatuck calls SaaS 1.0), and the emerging generation of blended software, infrastructure, and business services arrayed across multiple usage and delivery platforms and business models (what Saugatuck calls SaaS 2.0).

About Saugatuck Technology

Saugatuck Technology Inc. provides management consulting and subscription research services to senior executives, information technology vendors, and investors, combining strategy development, business planning, and market intelligence with first-hand research of executive technology buyer trends. Founded in 1999, Saugatuck is headquartered in Westport, Connecticut, with offices in Santa Clara, CA and Germany. For more information, visit www.saugatech.com, or call +1.203.454.3900.

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